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## Philippines

## Oilseeds and Products

## Annual

## 2003

Approved by:

**David C. Miller**

**US Embassy**

Prepared by:

Perfecto G. Corpuz

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**Report Highlights:** MY02/03 exports of copra and copra products will decline due to tightness in copra supply but are but expected to recover and increase in MY03/04 as copra production improves. A slowdown of a major soybean crush facility in 2003 will cause bean imports to decline during the year, and strong feed demand through 2004 will translate into increased soybean meal and fish meal imports during the period. Soybean oil imports in 2003 are likely to grow slightly compared to the previous year but will stay flat in 2004 as coconut oil production increases. Soybean imports will likely recover and increase in 2004.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Manila [RP1], RP

## Executive Summary

As coconut trees continue their biological rest after recent successive and very productive years, copra supply and consequently copra meal and coconut oil production (CNO) will decline from its year-ago level in MY02/03. Copra output is predicted to increase the following year resulting in a corresponding increase in copra meal and CNO production in MY03/04. Exports of copra, copra meal and CNO will be reflective of this trend in copra production through MY03/04. Peace and order problems on the island of Mindanao, a major coconut growing area, however, are expected to dampen any significant production growth in coconut as well as any palm oil expansion in the near term. In addition, a significant budget deficit is likely to hamper implementation of agricultural developmental programs. Soybean production, on the other hand, will remain flat and insignificant relative to total Philippine oilseed production through 2004.

Despite the decline in copra supply in MY02/03, total domestic consumption of copra meal and CNO are expected to increase modestly during the year and through MY03/04 mainly due to the rapidly increasing Philippine population (annual growth rate = 2.3 percent). During the period, increasing CNO consumption will be driven mainly by cooking oil demand and for oleochemicals for the manufacture of soaps and detergents. For copra meal, a significant portion of consumption is allowance for expected spoilage loss or wastage.

The level of soybean imports is primarily a function of soybean crush. A slowdown in oil-extraction operations of Hui-Shing Philippine Corp. (HSPC) is expected to result in a decline in soybean imports in 2003. Despite a broiler oversupply entering 2003, feed demand is expected to remain strong through 2004. Lower local soybean meal (SBM) production this year, coupled with an existing ban on meat and bone meal (MBM) imports, will enhance higher SBM and fish meal imports for the next two years. Even when HSPC resumes normal operations in 2004, imports of SBM and fish meal are still seen to continue increasing during the year. By that time, bean imports are expected to recover with the predicted resumption of normal operations of HSPC.

For soybean oil (SBO), imports are expected to grow slightly in 2003 as local SBO and CNO production decline from last year's level. CNO and SBO used for food purposes, mainly for cooking oil, will remain the dominant use of vegetable oils in the country, and demand will likely increase as the population continues to expand. SBO imports in 2004 will likely stay flat compared to the previous-year level as CNO production rises as a result of improved copra production.

## Production, Oilseeds

Philippine copra production in MY02/03 is expected to decline from its previous year-level as stressed coconut trees continue their biological rest after two consecutive productive years (refer to RP3005). Copra production during the year was further pared down as recovery is likely to be delayed until the second semester of 2003. The much anticipated El Nino dry spell was very mild and hardly felt and is expected to have no significant effect on coconut production in MY02/03 and beyond. The local weather bureau reportedly has observed signs of the weather disturbance waning.

On a calendar year basis, both the Philippine Coconut Authority (PCA) and the United Coconut Associations of the

Philippines, Inc. (UCAP), expect coconut production in 2003 to be modestly lower than last year's output. Both agencies estimate coconut production this year to be in the vicinity of 2.1 MMT in copra terms.

Increasing world coconut oil CNO prices beginning the second quarter of 2002 have resulted in higher copra farmgate prices compared to last year, reaching around P10 (\$0.19) per kg. in the last quarter of the year. Mill gate price, on the other hand, was reported at P12.60 (\$0.24) per kg. during the same period. The PCA expects copra farmgate and milling prices to further increase as world market CNO prices are predicted to further appreciate in the MY03/04.

Although copra production is projected to increase in MY03/04 as trees are relieved from stress, long term prospects for any dramatic production gains are dampened by the growing number of old and unproductive trees, compounded by the cessation of the PCA's fertilization program funded by the World Bank in 2000. In addition, peace and order problems in the major coconut growing areas on Mindanao island, the largest coconut producing area in the country, are likely to discourage any production growth. The same prospects hold true for palm oil production with oil palm plantations and oil mills concentrated on Mindanao island.

Soybean production remains insignificant relative to total Philippine oilseed production and no dramatic change in soybean production is expected for the next 3-5 years. Hence, local soybean supply is mainly imported beans.

The new Department of Agriculture (DA) Secretary, Luis P. Lorenzo, Jr. (refer to RP2079), announced that the DA will focus on six priority crops, including coconuts, for the remaining months of the Arroyo administration. With less than a year to go, not much is expected to be accomplished in view of a significant budget deficit the GOP currently faces (see POLICY, Oilseeds). For the coconut industry, President Gloria-Macapagal Arroyo recently ordered the release of P700 million (\$13.2 million) from the controversial coconut levy fund, a tax first collected from coconut farmers over 30 years ago and now, according to press reports, amounts to around P150 billion (\$2.83 billion). The money reportedly is intended to be used as soft loans to cover processing, training, administrative and collection costs.

## **Consumption, Oilseeds**

According to the PCA's 2001 Coconut Agenda, there are approximately 94 oil mills, 60 refineries, 12 desiccating plants, 8 active carbon plants, 6 coco shell charcoal plants, and about 12,400 small processing enterprises in the Philippines in 2001. Total national copra crush capacity is estimated to be in the vicinity of 5 MMT.

The downward adjustments made to copra production in MY02/03 likewise necessitated a corresponding decrease in crush operations during the year. Copra crush will likely increase the following year as coconut trees recover and copra production improves and increases.

Soybean crush was also adjusted downwards last year due to intermittent SBO extraction operations of Taiwanese-owned HSPC. Ownership problems have been rumored to be the root of HSPC's problems since last year when the company stopped importing beans for several months in 2002.

Soybean crush is predicted to further decline in 2003 as HSPC's problems will likely persist through most of the year. The increase in soybean crush in 2004 is premised on the assumption that HSPC's operations will resume and accelerate as the company ownership issue is resolved. Other local crushers, Universal Robina Corp. (URC) and

General Milling Corp. (GMC) are also likely to operate at higher capacity to corner a larger share of the growing SBM demand.

## Trade, Oilseeds

Tight supply of copra in 2002 resulted in an 8 percent decline in exports to settle at 2,700 MT compared to the previous year's level of 15,700 MT. Japan and Nepal again were the top two destinations of copra exports during the year. Scarcity of copra is manifest in the importation of around 25,100 MT of copra from Indonesia last year, according to preliminary data from the National Statistics Office (NSO).

On a market year basis, a decline from the 4,300 MT copra exports in MY01/02 is expected in MY02/03 as copra output is expected to decline anew. Copra exports will likely increase only in MY03/04 as coconut production improves starting late 2003.

Export Trade Matrix			
Country	Philippines		
Commodity	Oilseed, Copra		
Time period	Jan.-Dec.	Units:	Metric Tons
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
Japan	14,575	Japan	1,600
Nepal	600	Nepal	800
Singapore	500	India	344
Taiwan	12		
Total for Others	15,687		2,744
Others not Listed			
Grand Total	15,687		2,744

Source: United Coconut Associations of the Philippines and  
National Statistics Office

Soybean imports in 2002 dropped 18 percent to 257,000 MT from the 315,000 MT of the previous year. Imports dropped as bean demand for crushing declined due to HSPC's sporadic operations in the second half of the year. The U.S. had a 65 percent market share of all soybeans imported in 2002, down from the 72 percent share the previous year. Argentina was the closest competitor with a 21 percent share of the market, up from 17 percent the year before.

Bean imports in 2003 are again expected to decline from the 2002 level as HSPC's oil extraction operations are expected to further slow. Bean imports by HSPC are significant because they are brought in duty-free being located in an Export Processing Zone (refer to RP9023). URC and GMC's eligibility to import soybeans duty-free as provided

for under the Agricultural and Fisheries Modernization Act of 1997 (AFMA), on the other hand, will likely be eliminated this year (see POLICY, Oilseeds). South American beans, particularly from Argentina, are likely to increase market share due to an expected record soybean harvest this year and the resulting improved price competitiveness.

Import Trade Matrix			
Country	Philippines		
Commodity	Oilseed, Soybean		
Time period	Jan.-Dec.	Units:	Metric Tons
Imports for:	2001		2002
U.S.	226,171	U.S.	166,297
Others		Others	
Argentina	53,548	Argentina	52,900
Canada	14,075	Canada	30,737
Brazil	8,770	Brazil	2,500
Singapore	4,875	China	2,031
China	1,876	Australia	732
Vietnam	1,331	Singapore	205
Total for Others	84,475		89,105
Others not Listed	4,519		1,699
Grand Total	315,165		257,101

Source: National Statistics Office

The increase in soybean imports in 2004, as mentioned in the Consumption Section, is premised on the resumption of crush operations of HSPC as well as compliance with existing GOP regulations governing the importation of GE plants and plant products, including soybeans, for direct use for feed, food and for processing (see POLICY).

## Policy, Oilseeds

Under Administrative Order No. 8 (AO 8), series of 2002, or the Rules and Regulations for the Importation and Release into the Environment of Plants and Plant Products Derived from the Use of Modern Biotechnology (refer to RP2018), a science-based risk assessment is required for all genetically engineered (GE) plants and plant products imported in the Philippines. By June 30, 2003, all regulated articles imported as food, feed or for processing, must be assessed for safety by Philippine Government regulators and a third-party Scientific and Technical Review Panel (STRP).

In January 2003, Executive Order No. 164 (EO 164) was issued which modified import duties on various products under Section 104 of the Tariff and Customs Code of 1978, as amended. EO 164 sets the tariff rates for copra and

palm nuts and kernels at 10 percent for 2003, unchanged from the previous year's level. Soybean imports in 2003 will be levied a one percent duty. Soybeans previously were eligible for tariff-exempt importation to help implement the AFMA. The AFMA, however, has expired and industry contacts have informed Post that an order lifting the duty-free importation privilege for soybeans will soon be issued.

EO 164 is consistent with the recommendation of the cabinet-level Tariff and Related Matters (TRM) committee to keep duties on Philippine manufactured and agriculture goods to at least their current levels through 2004. It virtually puts a halt to the GOP's Tariff Reform Program that began in 1996 and may be considered a response to the current GOP budget deficit. Last year, a final budget deficit of P210.7 (\$4.0) billion was reported. For 2003, some analysts estimate the deficit will further grow to P230 billion (\$4.3 billion).

PSD Table						
Country	Philippines					
Commodity	Oilseed, Copra		(1000 HA)(1000 TREES)(1000 MT)			
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	3150	3150	3150	3150	0	3150
Area Harvested	2900	2900	2900	2900	0	2900
Trees	283500	283475	283500	283500	0	283500
Beginning Stocks	5	5	5	21	0	19
Production	2150	2150	2100	2050	0	2300
MY Imports	19	25	20	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2174	2180	2125	2071	0	2319
MY Exports	13	3	13	2	0	4
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Cons.	2156	2156	2107	2050	0	2280
Food Use	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	0	0	0	0	0	0
Total Dom. Cons.	2156	2156	2107	2050	0	2280
Ending Stocks	5	21	5	19	0	35
TOTAL DISTRIBUTION	2174	2180	2125	2071	0	2319
Calendar Year Imports	0	25	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	3	0	2	0	4
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Oilseed, Soybean				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Area Planted	0	1	0	1	0	1
Area Harvested	1	1	1	1	0	1
Beginning Stocks	42	42	46	12	0	20
Production	1	1	1	1	0	1
MY Imports	375	257	400	250	0	330
MY Imp. from U.S.	285	166	300	150	0	210
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	418	300	447	263	0	351
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Cons.	320	255	345	210	0	290
Food Use Dom. Cons.	45	30	47	30	0	30
Feed,Seed,Waste Dm.Cn.	7	3	7	3	0	3
TOTAL Dom. Cons.	372	288	399	243	0	323
Ending Stocks	46	12	48	20	0	28
TOTAL DISTRIBUTION	418	300	447	263	0	351
Calendar Year Imports	0	257	0	250	0	330
Calendar Yr Imp. U.S.	0	166	0	150	0	210
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0



## **Production, Oilmeals**

Lower copra supply and consequently the decline in copra crush in MY02/03 will result in a modest reduction in copra meal production during the year. Copra meal production will modestly increase the following year commensurate to the recovery and increase in copra output in MY03/04.

Like copra meal production, downward adjustments were also made to SBM production in 2001 on account of lower-than-expected bean crush of HSPC, one of the existing three soybean crush facilities in the country. SBM production will likely again decline the following year as a result of HSPC's slowdown in operations. A recovery and rebound in SBM production is predicted for MY03/04 as HSPC's crush activities are likely to resume and accelerate.

Fish meal production through MY03/04, on the other hand, is expected to remain flat from its MY01/02 level on account of no known significant expansion in fish oil extraction facilities.

## **Consumption, Oilmeals**

Last year, Philippine agriculture grew 3.69 percent, on a value basis, from the previous year's level, enhanced by the positive performances of the livestock, poultry and fisheries sectors (refer to RP3006). According to data from the Bureau of Agricultural Statistics (BAS), livestock grew 4.39 percent, poultry by 6.13 percent and the fishery's sector by 6.77 percent. In terms of volume, the local livestock, poultry and aquaculture industries grew by 4.42 percent, 6.15 percent, and 9.65 percent, respectively.

Copra meal use in feed formulations will likely stay flat through MY03/04 although copra meal consumption in the table shows an increasing trend. Upward adjustments were made to reflect the expected spoilage losses as a result of relatively very high stock levels during the period, the majority of which are expected to end as waste. It should be noted that copra meal, used mainly as a binder in animal feed production, is not used as a protein source, unlike SBM.

The domestic livestock, poultry and aquaculture industries displayed strong growth last year. SBM consumption in 2002, however, was pared down as a result of an oversupply of broilers in the last quarter of 2002. Demand for SBM the following year would have been greater had it not been for the broiler glut entering 2003 as well as the prevalence of smuggling of livestock and poultry meat products into the country. The unabated entry of illegally imported meats are reportedly displacing sales of locally-produced meats, consequently eroding demand for animal feed ingredients.

DA has reportedly stated that the practice has reached alarming proportions. DA estimates that at least one in nine refrigerated containers that passes through the Manila International Container Terminal (MICT) enters the country illegally. Smuggled items include grains, spices, fruits, vegetables, and frozen meats and fish. The DA admitted that the government can no longer totally eliminate smuggling, only minimize it. According to a DA press report, it is estimated that the value of smuggled goods intercepted by authorities ranges between P25 billion and P30 billion yearly (\$472 M - \$566 M).

This has been particularly injurious to the local broiler industry. Despite this, demand for meat and meat products is seen to continue increasing through 2004 as a result of the growing Philippine population, particularly in the urban centers. This translates to higher demand for feed ingredients including SBM.

## Trade, Oilmeals

Copra meal exports declined 49 percent to 385,000 MT in 2002 from the 753,000 MT import level the year before. As a result, exports of copra meal in MY01/02 have been pared down. Exports in MY02/03 are projected to further decrease, but increase the following year due to higher copra production. Korea and the Netherlands are expected to be the top two destinations of copra meal exports through MY03/04.

Export Trade Matrix			
Country	Philippines		
Commodity	Meal, Copra		
Time period	Jan.-Dec.	Units:	Metric Tons
Exports for:	2001		2002
U.S.	2,218	U.S.	
Others		Others	
Korea	341,384	Korea	186,013
Netherlands	207,056	Netherlands	97,758
Singapore	84,920	Singapore	30,550
Germany	51,709	Vietnam	18,487
Vietnam	24,000	Japan	15,690
Taiwan	18,497	Taiwan	10,855
Italy	10,250	UK	9,650
U.K.	7,000	Italy	8,200
		Australia	5,250
		New Zealand	3,000
Total for Others	744,816		385,454
Others not Listed	6,047		
Grand Total	753,081		385,454

Source: United Coconut Associations of the Philippines

Preliminary NSO data also show that of all major protein meal imports in 2002, only SBM did not decline from its 2001 level, and, in fact, even increased. In view of the strong performance by the domestic feed consuming industries last year, coupled with the decline in local SBM production, Post maintains its estimate in the PSD Table despite the variance to the preliminary NSO estimate in the trade matrix.

Import Trade Matrix			
Country	Philippines		
Commodity	Meal, Soybean		
Time period	Jan.-Dec.	Units:	Metric Tons
Imports for:	2001		2002
U.S.	680,958	U.S.	506,198
Others		Others	
Argentina	263,478	Argentina	563,686
India	55,968	India	69,775
New Zealand	36,427	New Zealand	62,373
Brazil	11,024	Brazil	59,400
Taiwan	3,506	China	10,584
Total for Others	370,403		765,818
Others not Listed	603		1,328
Grand Total	1,051,964		1,273,344

Source: National Statistics Office

Per data from the NSO, although SBM imports increased in 2002, U.S. market share, however, declined from 65 percent in 2001 to 40 percent last year. SBM from Argentina dominated the market with a 44 percent share in 2002.

SBM imports this year are expected to increase from the 2002 level as feed demand is likely to remain strong despite a possible slowdown in the local poultry sub-sector. The likely removal of the tariff-exemption eligibility of soybeans under the AFMA (see POLICY, Oilseeds) will likely encourage a slight shift away from whole beans to SBM imports in 2003. Furthermore, an existing ban on MBM imports, as well as comparatively seasonal high fish meal prices, are likely to further enhance increased SBM imports through 2004.

While overall fishmeal imports last year declined 15 percent from the 2001 level, U.S. fishmeal imports surged to secure a 30 percent market share in 2002, second only to the 33 percent share of Peru. Imported fish meal is projected to rise steadily through 2004 as production stays flat during the period. High prices may dampen demand, but imports are still expected to increase slightly, driven mainly by a growing inland fishery sub-sector.

Import Trade Matrix			
Country	Philippines		
Commodity	Meal, Fish		
Time period	Jan.-Dec.	Units:	Metric Tons
Imports for:	2001		2002
U.S.	3,832	U.S.	21,018

Others		Others	
Peru	69,213	Peru	23,620
Chile	4,926	Thailand	7,801
Taiwan	1,418	Vietnam	4,590
Thailand	920	Chile	3,820
Canada	451	Malaysia	3,275
Denmark	427	Taiwan	1,194
Australia	397	China	974
Argentina	353	Australia	940
Korea	266	New Zealand	616
Japan	200	Denmark	349
Total for Others	78,571		47,179
Others not Listed	779		2,515
Grand Total	83,182		70,712

Source: National Statistics Office

## Policy, Oilmeals

Copra meal tariffs, were supposed to decline to 7 percent this year, but EO 164 froze it at 10 percent, the level in 2002, through 2003. SBM meal tariffs, on the other hand, remain unchanged from the previous report at 3 percent. MBM and fish meal imports this year will be taxed a 5 percent duty, unchanged from the previous year although imports of the former are currently banned in response to the BSE outbreak in Europe (refer to RP1034 & RP1039).

PSD Table						
Country	Philippines					
Commodity	Meal, Copra			(1000 MT)(PERCENT)		
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Crush	2156	2156	2107	2050	0	2280
Extr. Rate, 999.9999	0.320501	0.320501	0.322734	0.317073	0	0.322368
Beginning Stocks	150	150	76	184	0	179
Production	691	691	680	650	0	735
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	841	841	756	834	0	914
MY Exports	600	472	540	460	0	600
MY Exp. to the EC	315	174	290	210	0	300
Industrial Dom. Con	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	165	185	165	195	0	200
TOTAL Dom. Cons.	165	185	165	195	0	200
Ending Stocks	76	184	51	179	0	114
TOTAL DISTRIBUTION	841	841	756	834	0	914
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	385	0	300	0	550
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Meal, Soybean			(1000 MT)(PERCENT)		
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Crush	320	255	345	210	0	290
Extr. Rate, 999.9999	0.796875	0.803922	0.797101	0.80000	0	0.793103
Beginning Stocks	74	74	79	79	0	67
Production	255	205	275	168	0	230
MY Imports	1400	1400	1350	1440	0	1475
MY Imp. from U.S.	650	650	625	535	0	550
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1729	1679	1704	1687	0	1772
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons..	0	0	0	0	0	0
Feed Waste Dom. Cons.	1650	1600	1620	1620	0	1700
TOTAL Dom. Cons.	1650	1600	1620	1620	0	1700
Ending Stocks	79	79	84	67	0	72
TOTAL DISTRIBUTION	1729	1679	1704	1687	0	1772
Calendar Year Imports	0	1400	0	1440	0	1475
Calendar Yr Imp. U.S.	0	650	0	535	0	550
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Meal, Fish			(1000 MT)(PERCENT)		
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [ New]
Market Year Begin		01/2002		01/2003		01/2004
Catch For Reduction	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	3	3	3	5	3	7
Production	13	13	11	13	0	13
MY Imports	85	71	85	73	0	75
MY Imp. from U.S.	0	21	0	22	0	25
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	101	87	99	91	3	95
MY Exports	0	2	0	2	0	2
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	98	80	96	82	0	84
TOTAL Dom. Cons.	98	80	96	82	0	84
Ending Stocks	3	5	3	7	0	9
TOTAL DISTRIBUTION	101	87	99	91	0	95
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

## Production, Oils

CNO production in MY02/03 is expected to decline from its year-ago level but predicted to increase in MY03/04 reflecting the decline and improvement in copra supply and copra crush during the period. Although very mild, speculation on the El Nino weather disturbance and its negative effect on copra production have been driving CNO export prices higher since the second quarter of 2002. Palm oil production, on the other hand, will likely decline through MY03/04 as a result of military operations in the oil palm growing areas of Mindanao.

For SBO production, downward adjustments were made in 2002 as a result of the slowdown in oil-extraction activities of HSPC. SBO production is expected to further decline the following year due to the slowdown in HSPC's operations. Recovery is predicted in 2004, driven by strong feed demand, and SBO production expected to recover and increase from its 2003 levels.

## Consumption, Oils

The domestic economy expanded 4.6 percent last year, faster than the 3.2 percent increase posted in 2001. Last year's GDP growth rate was also the fastest recorded since the Asian financial crisis of 1997 during which time, the economy grew 5.2 percent, according to the National Economic Development Authority. For 2003, the GOP has forecast the domestic economy to grow between 4.2 and 5.2 percent.

The International Monetary Fund (IMF), on the other hand, in September 2002, predicted the country's GDP this year at just 3.8 percent. Recently, however, it revised upwards its forecast to 4 percent, slightly down from the government's forecast citing the country's fiscal situation as a mitigating factor. It also expects growth to remain flat next year at the same 4 percent rate. The IMF also predicts Philippine inflation at 4 percent in both 2003 and 2004.

Despite the uncertainties, many believe the country will continue to post positive growth. In the face of the global economic slowdown, local industries in MY02/03 have focused more on the local market. Traditionally, around 20 percent of CNO national production is consumed locally, mainly for cooking oil and oleochemicals, and around 80 percent exported. Total domestic consumption is expected to continue increasing as the Philippine population continues to expand through MY03/04.

SBO consumption, both for industrial and food use, was adjusted downwards in 2002 as a result of lower-than-



expected CNO production. Marginal increases in overall SBO consumption are predicted through 2004 as the Philippine population continues to increase rapidly and the economy registers positive economic growth. SBO used for food purposes will remain the dominant use of vegetable oils in the country, and demand will likely increase as the Philippine population continues to expand.

## Trade, Oils

CNO exports to Europe in MY01/02 were raised based on data from the UCAP. Europe traditionally is the dominant export destination of Philippine CNO exports. Overall CNO exports are expected to decline the following year due to scarcity of copra but increase in MY03/04 as copra production rebounds.

On a calendar year basis, CNO exports declined 33 percent from 2001 levels of 1.4 MMT to 945,000 MT in 2002, a large share (39 percent) of which was exported to the United States. Tightness in CNO supply last year resulted in rising world market prices for CNO. According to data from the UCAP, in 2002, CNO prices averaged \$373.28 per MT, 27 percent higher than the \$294.47 average per MT the previous year. Average CNO export prices started at \$289.93 per MT in January 2002 and surged 44 percent to an average \$416.61 per MT by December 2002. Some traders report that CNO prices may reach an average of \$445 a ton this year.

Export Trade Matrix			
Country	Philippines		
Commodity	Oil, Coconut		
Time period	Jan.-Dec.	Units:	Metric Tons
Exports for:	2001		2002
U.S.	406,688	U.S.	373,077
Others		Others	
Netherlands	596,612	Netherlands	305,247
Malaysia	150,105	Malaysia	73,869
China	57,013	Japan	45,094
Indonesia	36,350	Singapore	42,029
Japan	31,314	China	35,982
Korea	29,030	Italy	38,501
Italy	28,311	Indonesia	7,400
Taiwan	23,090	Spain	5,500
Singapore	19,419	Korea	5,000
Spain	11,533	Taiwan	4,913
Total for Others	982,777		563,535
Others not Listed	28,510		8,048
Grand Total	1,417,975		944,660

Source: United Coconut Associations of the Philippines

SBO imports in 2002 modestly increased from 8,400 MT in 2001 to reach 10,000 MT last year. Singapore and Malaysia were the top two suppliers with market shares of 46 percent and 36 percent, respectively. Around 2,000 MT of SBO were also exported to Vietnam last year. SBO imports in 2003 are expected to increase slightly as CNO production contracts. The following year, imports of SBO will likely remain flat compared to the previous year as copra production improves and CNO output increases.

Import Trade Matrix			
Country	Philippines		
Commodity	Oil, Soybean		
Time period	Jan.-Dec.	Units:	Metric Tons
Imports for:	2001		2002
U.S.	48	U.S.	109
Others		Others	
Singapore	4,011	Singapore	4,595
Malaysia	3,609	Malaysia	3,658
China	189	Thailand	1,591
Hong Kong	178		
Netherlands	107		
Total for Others	8,094		9,844
Others not Listed	257		92
Grand Total	8,399		10,045

Source: National Statistics Office

## Policy, Oils

Duties for palm oil and soybean oil this year remain unchanged from their 2002 levels at 15 percent and 7 percent, respectively. For CNO and palm kernel oil, tariffs last year, set at 10 percent, were extended to 2003 by EO 164.

Secretary Angelito M. Sarmiento, presidential adviser on agricultural modernization, has been pushing for the use of coconut methyl ester (CME) as an additive in diesel fuel as it will benefit the environment and also raise copra prices. Secretary Sarmiento, according to press reports, claims that if 100,000 MT of copra were devoted to CME, copra prices could double which will thus raise farmer income. In response, the Department of Finance (DOF) late last year endorsed the exemption of coco diesel from excise tax in order to lower prices of coconut diesel and encourage its consumption.

PSD Table						
Country	Philippines					
Commodity	Oil, Coconut			(1000 MT)(PERCENT)		
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2001		10/2002		10/2003
Crush	2156	2156	2107	2050	0	2280
Extr. Rate, 999.9999	0.624304	0.624304	0.623636	0.617073	0	0.627193
Beginning Stocks	38	38	20	20	0	23
Production	1346	1346	1314	1265	0	1430
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1384	1384	1334	1285	0	1453
MY Exports	1070	1070	1035	960	0	1100
MY Exp. to the EC	260	428	250	410	0	500
Industrial Dom. Cons.	90	90	86	93	0	97
Food Use Dom. Cons.	195	195	185	200	0	205
Feed Waste Dom. Cons.	9	9	9	9	0	9
TOTAL Dom. Cons.	294	294	280	302	0	311
Ending Stocks	20	20	19	23	0	42
TOTAL DISTRIBUTION	1384	1384	1334	1285	0	1453

Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	945	0	900	0	1100
Calndr Yr Exp. to U.S.	0	375	0	400	0	500

PSD Table						
Country	Philippines					
Commodity	Oil, Soybean			(1000 MT)(PERCENT)		
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Crush	320	255	345	210	0	290
Extr. Rate, 999.9999	0.18125	0.184314	0.182609	0.18095	0	0.182759
Beginning Stocks	11	11	8	11	0	5
Production	58	47	63	38	0	53
MY Imports	10	10	10	12	0	12
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	79	68	81	61	0	70
MY Exports	1	2	0	0	0	1
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Cons.	8	5	8	5	0	6
Food Use Dom. Cons.	62	50	63	51	0	52
Feed Waste Dom. Cons.	0	0	0	0	0	0

TOTAL Dom. Consum.	70	55	71	56	0	58
Ending Stocks	8	11	10	5	0	11
TOTAL DISTRIBUTION	79	68	81	61	0	70
Calendar Year Imports	0	10	0	12	0	12
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	2	0	0	0	1
Calndr Yr Exp. to U.S.	0	0	0	0	0	0